VIII. CONCLUSION

The access charge rules were first adopted in 1983. There can be no serious dispute that the time has come for overhauling these rules. First, there are a series of baseline changes that the Commission should immediately enact in order to establish the proper framework upon which competition can develop. Next, the Commission should adopt an adaptive, market-based regulatory approach that automatically relaxes regulation as competition is shown to be taking place in the local and exchange access markets. By following these steps, the Commission will have advanced its goal of harnessing competitive forces and making the regulatory system compatible with competition.

Respectfully submitted,

BELLSOUTH CORPORATION
BELLSOUTH TELECOMMUNICATIONS, INC.

By: _____
Gary M. Epstein
James H. Barker
LATHAM & WATKINS
1001 Pennsylvania Ave., N. W. - Suite 1300
Washington, D.C. 20004-2505
(202) 637-2200
and
M. Robert Sutherland
Richard M. Sbaratta
Rebecca M. Lough

Their Attorneys

Suite 1700 - 1155 Peachtree Street, N.E.
Atlanta, Georgia 30309-3610
(404) 249-3386

Counsel for BellSouth Corporation
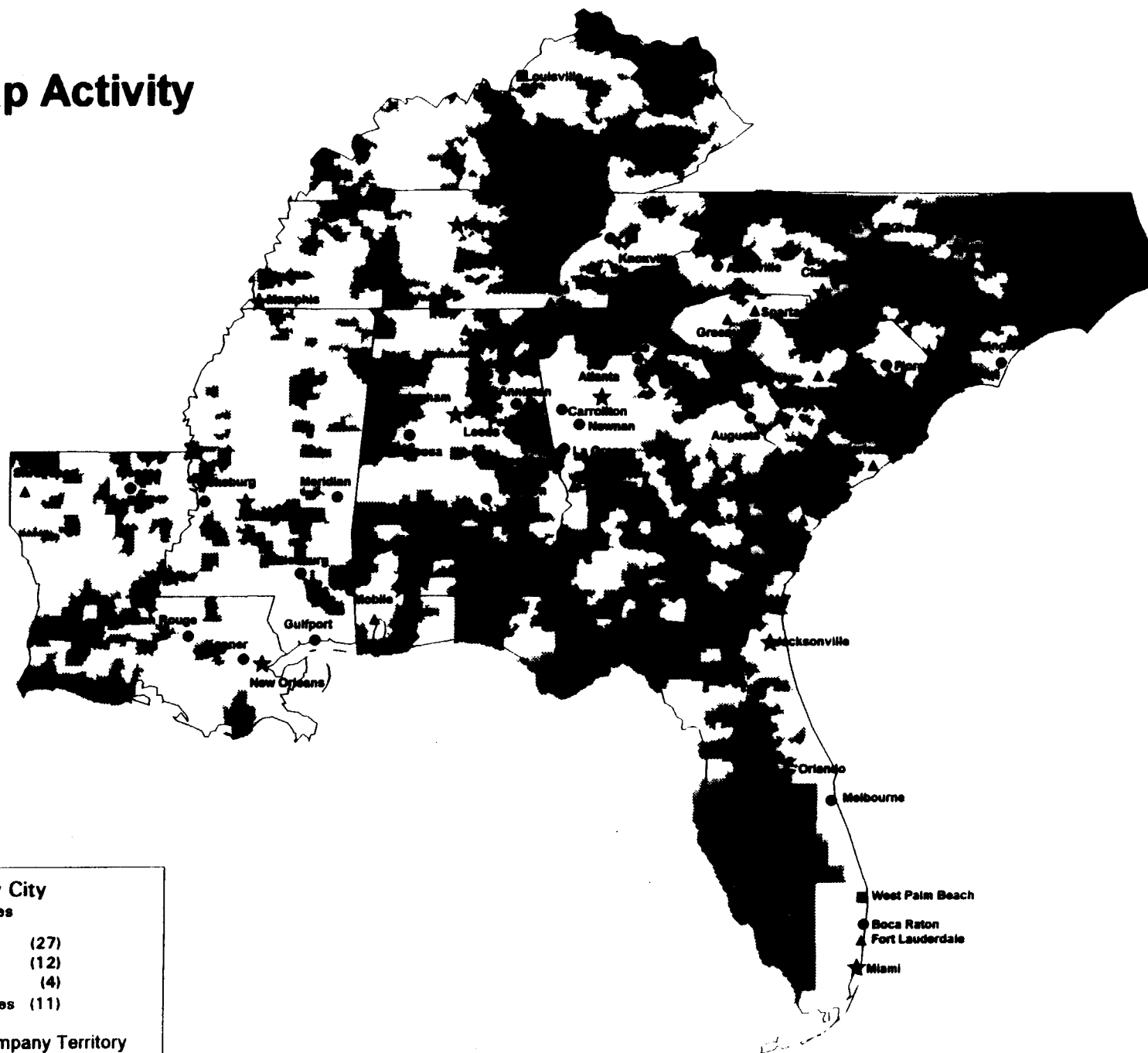and BellSouth Telecommunications, Inc.

DATE: January 29, 1997

ATTACHMENT

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BELLSOUTH

CAP STATUS REPORT

BellSouth Cap Activity

CAP Networks By City
( ) Number of Cities

● 1 Company   (27)
▲ 2 Companies   (12)
■ 3 Companies   (4)
★ 4 or More Companies (11)

▓▓ Independent Company Territory

BELLSOUTH CAP STATUS REPORT

Last year 1996 was a watershed year within the telecommunications industry as a whole. The Telecommunications Act of 1996 codified competition in all areas of the industry. It established the ground rules for expanded competition in the local exchange market place and opened the door for more vigorous competition in the long distance industry.

Within the BellSouth region increasing numbers of Competitive Local Exchange carriers (CLECs) constructed their networks, received the necessary regulatory authority, negotiated interconnection agreements with BellSouth and began offering local exchange alternatives to customers.

Competitive Access Providers

In the mature competitive market for special access and private line services, 1996 witnessed activation of 33 new Competitive Access Provider (CAP) networks in BellSouth markets. During 1996 each state in BellSouth's nine state region experienced multiple new access market entrants. At the end of 1996 BellSouth had a total of 94 operational CAP networks within its region serving 50 different markets. An additional 24 networks were under development and scheduled to begin providing services during 1997.

During 1996 existing CAPs completed over 60 expansion and upgrade projects to their established fiber networks in BellSouth's region. As a result 26 BellSouth markets experienced broaden competitive geographic coverage and the introduction of new

services. Many of the CAP networks operating in the BellSouth region installed Class 5 central office switches on their fiber-optic rings during the course of 1996. Currently 40 CAP networks are equipped with switching capability and 34 more are scheduled to provide switched services during 1997.

One of the most significant growth trends in the CAP industry has been the expansion into Tier II and Tier III markets (American Map Corporation labels Metropolitan Statistical Areas (MSAs) with populations of 250,000 to 500,000 as Tier III, 500,000 to 1 million as Tier II, and over 1 million as Tier I). Fueled by expansion of so-called Regional CAPs such as American Communications Services Inc. (ACSI), Brooks Fiber Properties, and the IntelCom Group, these more recent CAP entrants target Tier II and III markets traditionally ignored by the National CAPs such as MFS, Teleport and MCI Metro.

Competition among CAPs in Tier II and Tier III markets has been traditionally less agressive than in larger markets. Indeed in many of the smaller markets CAPs seek to be "the only show in town" other than the incumbent LEC.

This pattern of competitor entry into smaller markets by Regional CAPs held true in the BellSouth region during 1996 but major National CAPs like Teleport and MCI Metro also began developing networks in BellSouth's Tier II and Tier III markets. Additionally Regional CAPs now find they must go head-to-head with each other as well as BellSouth in what have become very competitive Tier II and Tier III markets. Every Tier II market in BellSouth has at least two or more active CAP competitors and the majority of BellSouth's Tier III markets have multiple CAP competitors.

No Other RBOC Encounters Such Widespread Geographic Competition.

Virtually every potential dedicated access customer within the region has at least one other alternative provider than BellSouth. The majority of these customers have a wide array of choices among several different providers of dedicated services. During 1997 most of these customers will be able to select alternative providers for their switched services including local exchange service.

REGIONAL FIBER NETWORKS

In addition to both National and Regional CAPs who construct and operate standalone fiber optic networks in metropolitan areas throughout BellSouth's region, other competitors offer HICAP access and transport services. Regional fiber optic networks operated by affiliates of energy companies such as SCANA Corporation, Duke Power, and Carolina Power & Light have become significant competitors in many markets. In addition to providing telecommunications services for the parent corporations, these companies offer "excess" capacity on their networks for use by unaffiliated interexchange carriers, wireless service providers, and other large corporations. Two of the most significant regional fiber optic network operators in BellSouth's region are InterState FiberNet and Carolinas FiberNet.

INTERSTATE FIBERNET

InterState FiberNet (IFN) was formed in 1991 as a joint venture between ITC Holding Company, based in West Point, Georgia, and MPX Corporation of Columbia, South Carolina. MPX was a wholly owned subsidiary of SCANA Corporation, a holding company with 11 energy-based companies including South Carolina Electric and Gas.

IFN operates as a wholesale carrier's carrier that provides fiber-optic capacity to long distance carriers serving secondary, tertiary, and rural markets throughout the Southeast. IFN's network currently comprises over 2100 miles of fiber-optic cable. IFN's network

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spans the Carolinas, Georgia, Florida, Alabama, Mississippi, Louisiana, and parts of Texas.

IFN has constructed a series of SONET-rings along its routes in order to provide self-healing HICAP access and transport services. Eventually, the company plans to offer access to all 44 LATAS in the BellSouth region.

InterState FiberNet delivers digital telecommunications long haul transport at DS3 bandwidths and above to IXCs. Its dedicated access offerings are delivered in a variety of options from DS1 to OC-3. IFN also offers intraLATA services throughout its network and operator services through it's subsidiary, InterQuest Inc. InterQuest markets a wide range of automated and live operator services to interexchange carriers (IXCs), independent Telcos, coin-operated and customer-owned (COCOT) providers, hotels/motels, and cellular companies.

The company has also installed 64-port Signal Transfer Point (STP) systems in mated pairs within the company's network, which allow customers to have access to Signaling System 7 (SS7) functionality.

ITC Holdings has acquired 100% control of InterState FiberNet. ITC also owns interest in several other BellSouth competitors including DeltaComm, a strong regional facilities-based IXC and InterCel, a PCS provider with licenses throughout the BellSouth region including Atlanta.

ITC Holdings is currently examining possible interconnection of IFN's network with DeltaComm's fiber routes in Alabama. IFN will provide access, transport, and operator services to InterCel as it builds out its PCS network.

CAROLINAS FIBERNET

Carolinas FiberNet was formed as a partnership of smaller regional networks in December , 1995. The partnership became active during the first quarter, 1996 with the interconnection of the partner's four smaller fiber optic networks and the launch of major expansion projects to reach new markets.

Carolinas FiberNet's partners include:

PalmettoNet

DukeNet

CaroNet

Access/On.

PalmettoNet was formed by 11 independent Telcos during 1985 in an effort to economically deliver fiber-based services within their serving areas.

DukeNet is a telecommunications subsidiary of Duke Power which provides internal telecommunications services to corporate affiliates.

CaroNet is the telecommunications subsidiary of Carolina Power & Light.

Access/On, like PalmettoNet, was formed by a consortium of independent Telcos serving parts of northeastern and northwestern North Carolina.

The partnership, Carolinas FiberNet, now provides fiber-based services utilizing a 3200 mile network which extends from Atlanta throughout the Carolinas. The network not

only provides internal services to each of the partners but also provides HICAP access and transport services to IXCs, facilities-based resellers, cellular providers, PCS providers, and other non-affiliated commercial customers.
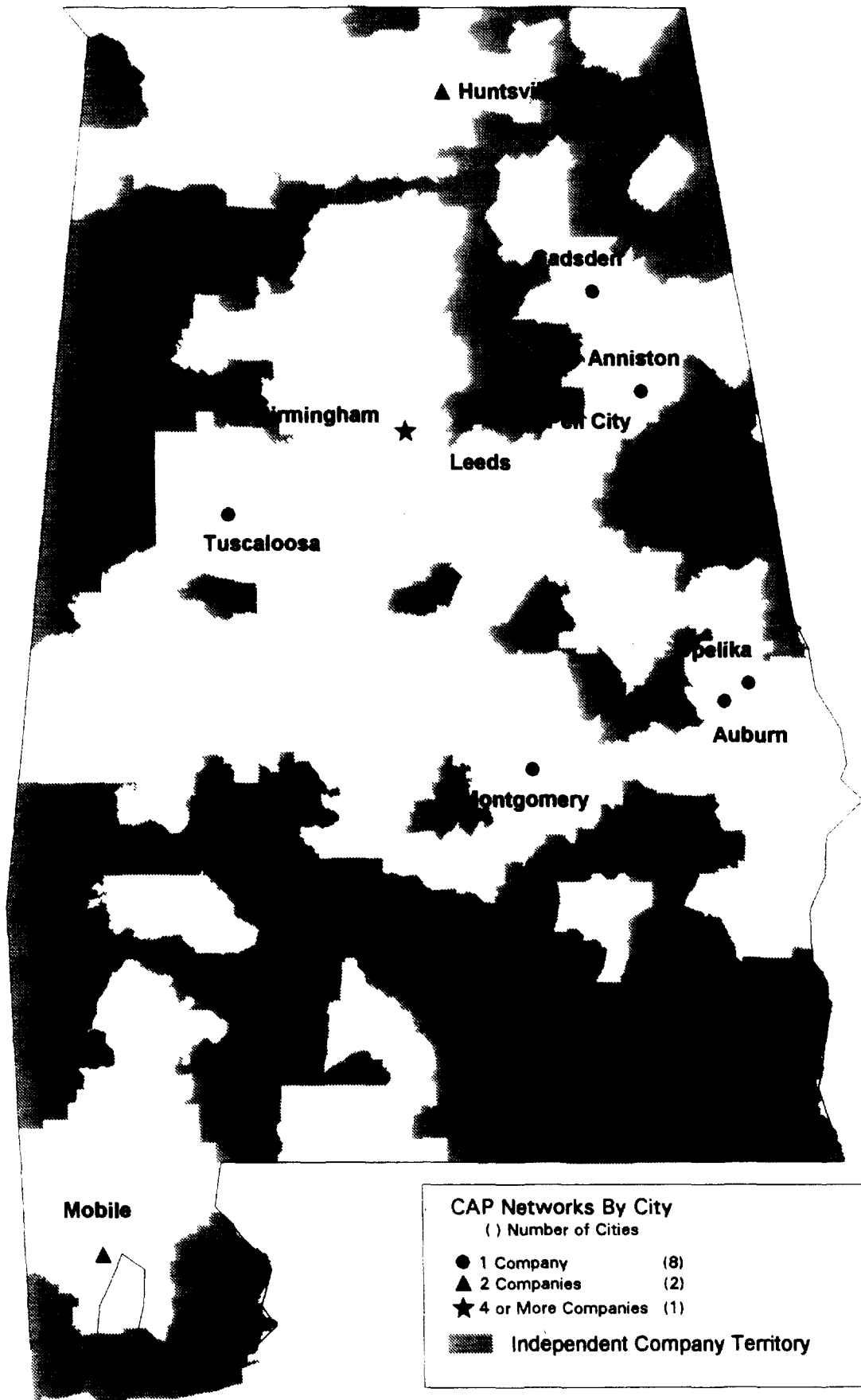
PRIVATE NETWORKS

In addition to National CAPs, Regional CAPs, and the Regional Fiber Network operations many privately-owned and operated networks are now replacing BellSouth's HICAP dedicated access and private line services in whole or in part. These networks utilize privately-owned fiber, microwave, satellite, and VSAT technologies which bypass significant components of BellSouth's public network . Some privately owned networks such as those operated by utilities, municipalities, railroad companies, and state agencies provide incidental access and transport services to non-affiliated customers, however, the majority of the private network resources are utilized for their own internal telecommunications needs. For this reason, private network facilities and operators have been excluded from this CAP status report.

CAP STATUS REPORT

The CAP Status Report was compiled from a wide variety of sources including publicly available sources (news releases, industry announcements, regulatory proceedings, the trade press , etc.), contracted secondary sources (Yankee Group, InvesText, Faulkner, Quality Strategies, Dunn & Bradstreet, Gartner Group, etc.) and internal BellSouth market research data. The report is based on "best available information" and may not reflect the most current information available. Data which is not generally available to the public may also be unreported. The report attempts to summarize the status of CAP activity within the BellSouth region as of December 31, 1996 . The information is organized on a state-by-state basis and is summarized briefly for the BellSouth region.

Alabama CAP Networks

Map of Alabama showing CAP Networks by city, with markers at Huntsville, Gadsden, Anniston, City, Leeds, Birmingham, Tuscaloosa, Opelika, Auburn, Montgomery, and Mobile.

CAP Networks By City
( ) Number of Cities

Symbol	Description	Count
●	1 Company	(8)
▲	2 Companies	(2)
★	4 or More Companies	(1)

░ Independent Company Territory

ALABAMA

The following CAPs were active in Alabama as of December 31, 1996:

ICG Birmingham	(operational)
ICI Huntsville	(operational)
ACSI Birmingham	(operational)
ACSI Montgomery	(operational)
ACSI Mobile	(operational)
KMC Telecom Huntsville	(operational)
MCI Metro Birmingham	(under development)
MCI Metro Mobile	(under development)
Teleport (TCG) Birmingham	(under development)
InterState FiberNet	(operational)

Anniston

Auburn

Birmingham

Gadsden

Leeds

Opelika

Pell City

Tuscaloosa

ICG BIRMINGHAM

ICG Birmingham has operated an alternate access network providing HICAP services since 1992.

ICG currently offers the following special access services to Birmingham customers:

DS0
Access 1000 (DS1)
Access 3000 (DS3)

ICG Birmingham operates a 57 route mile SONET network serving the central downtown Birmingham business district and the Five Points area in the southern part of the city.

ICG plans to add a 92 route mile expansion which should be in service during early 1997 which will serve suburban office complexes to the south of the city. Additional expansion plans call for more than 144 new route miles of construction in partnership with a Southern Company subsidiary during the remainder of 1997.

ICG Birmingham has installed a Lucent 5ESS switch and will begin offering switched services to end-users during 1997.

ICI HUNTSVILLE

ICI completed construction of its first Huntsville fiber ring during the first quarter, 1996. ICI Huntsville now operates a 60 route mile SONET fiber network in the Huntsville, Alabama metropolitan area extending to the office and research parks to the west of the city.

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ICI Huntsville offers the following private line and special access services:

DS-0

DS-1

    Fractional DS1

    Multiplexed DS1

    Hubbed DS1

DS-3

    Multiplexed DS3

    Hubbed DS3

OC-3

ICI Huntsville offers switched services through NORTEL central office switching equipment and NORTEL ATM switching technology.

ICI Huntsville is planning to add additional route miles to its Huntsville network to serve outlying suburbs. The addition will be comprised of underground fiber optic cable constructed in a SONET architecture.

ACSI BIRMINGHAM

ACSI operates a 10 route mile 100% SONET fiber optic network in downtown Birmingham. ACSI's Birmingham network became operational in the third quarter, 1996.

ACSI Birmingham offers the following HICAP access services:

DS0

DS1

DS3

OC3

ACSI has installed a Lucent 5ESS-2000 central office switch serving the Birmingham network and plans to offer switched services during the early first quarter, 1997.

ASCI's near-term expansion plans call for construction of an additional 73 route mile fiber ring which will extend south of the city to provide services to office parks located in southern Jefferson and northern Shelby counties.

ACSI MONTGOMERY

ACSI's Montgomery network began operation in January, 1996. ACSI currently is serving downtown Montgomery and the Montgomery bypass office parks utilizing a network consisting of a single SONET ring which encompasses approximately 15 route miles.

ACSI Montgomery provides customers the following HICAP access services:

DS0
DS1
DS3
OC3

ACSI indicates that the Montgomery network will be expanded by 50 route miles by mid-1997 to offer services to the newer office complexes to the east of the city along Interstate Highway 85.

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The ACSI Montgomery network is served by a Lucent 5ESS-200 switch providing a variety of switched services.

ACSI MOBILE

ACSI Mobile currently is serving the Mobile, Alabama metropolitan area and has been operational since the second quarter, 1994. Presently the ACSI Mobile network consists of a SONET ring of approximately seven route miles serving downtown Mobile.

ACSI Mobile plans to add an additional 37 route miles of fiber in downtown Mobile, the Port of Mobile, and extensions west toward the Mobile Regional Airport.

ACSI Mobile provides customers the following HICAP access services:

DS0
DS1   .
DS3
OC3

ACSI will begin offering switched access and local exchange services in Mobile by mid-1997 using a remote switching arrangement from the Montgomery or Birmingham Lucent 5ESS switching centers.

KMC TELECOM HUNTSVILLE

Kamine Multimedia Corp. (KMC) has completed the first phase of its SONET fiber network in the Research Park area of Huntsville. The initial ring encompasses approximately 15 route miles and provides KMC customers with access and transport services from DS0 to OC3 band widths.

KMC's future plans call for additional expansion in and around the NASA and Redstone Arsenal areas as well as the addition of switching capabilities to the network.

MCI METRO BIRMINGHAM
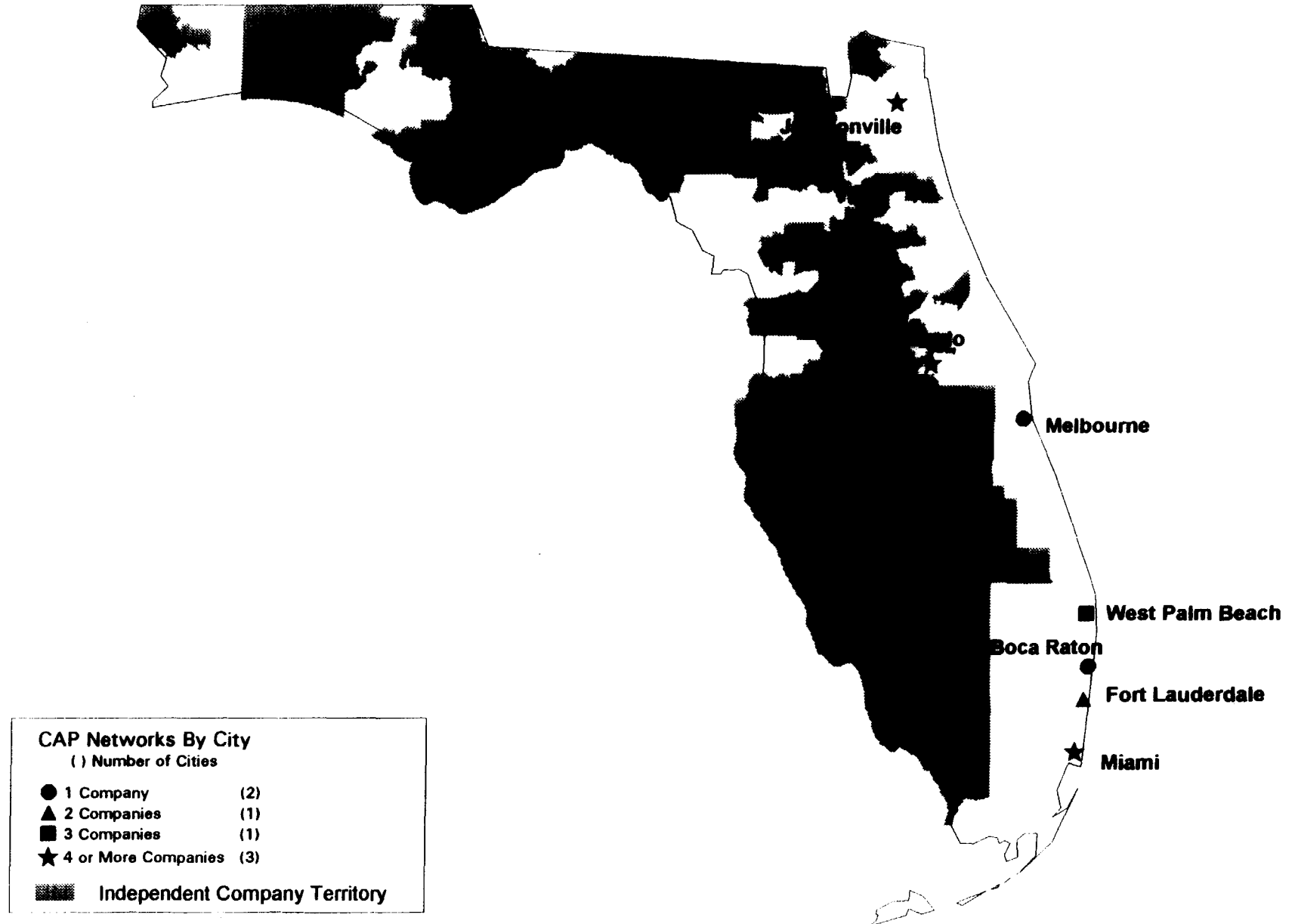
MCI METRO MOBILE

TELEPORT BIRMINGHAM (TCG)

All the above listed Natonal CAPs have announced plans to begin operations during 1997.

INTERSTATE FIBERNET

IFN operates access nodes and local networks in 8 Alabama cities as follows: Anniston, Auburn, Birmingham, Gadsden, Leeds, Opelika, Pell City, and Tuscaloosa.

Florida CAP Networks

Map of Florida showing CAP Networks by city with the following labeled locations:
- Jacksonville (star — 4 or more companies)
- Orlando area (star)
- Melbourne (circle — 1 company)
- West Palm Beach (square — 3 companies)
- Boca Raton (circle — 1 company)
- Fort Lauderdale (triangle — 2 companies)
- Miami (star — 4 or more companies)

CAP Networks By City
( ) Number of Cities

Symbol	Category	Number
●	1 Company	(2)
▲	2 Companies	(1)
■	3 Companies	(1)
★	4 or More Companies	(3)

▨ Independent Company Territory

FLORIDA

The following CAPs were active in Florida as of December 31, 1996:

TCG South Florida	(operational)
ICI Miami	(operational)
ICI West Palm Beach	(operational)
ICI Orlando	(operational)
ICI Jacksonville	(operational)
MCI Metro Miami	(operational)
MFS Miami	(operational)
MFS Fort Lauderdale	(under development)
MFS Orlando	(operational)
Time Warner Comm. Orlando	(operational)
ICG Melbourne	(operational)
AlterNet Jacksonville	(operational)
Sprint Metro Orlando	(operational)
ACSI Jacksonville	(under development)
MCI Metro Orlando	(operational)
WinStar Wireless - Miami	(operational)
WinStar Wireless - Jacksonville	(operational)
InterState FiberNet	(operational)

Miami

West Palm Beach

TCG SOUTH FLORIDA

TCG South Florida operates more than 400 route miles of fiber in South Florida's LATA 460. The network is comprised of wholly-owned fiber optic SONET cable and aerial leased cable from cable partners (Continental, TCI, Adelphia).

TCG's South Florida network extends primarily along the southeast coast of Florida with fiber that extends west to larger corporate office parks. TCG Florida serves the following South Florida communities:

Miami

Ft. Lauderdale

West Palm Beach

Boca Raton

TCG South Florida currently offers the following HICAP special access services to South Florida customers:

DS0

DS1

DS1E

DS3

TCG South Florida has installed a Lucent 5ESS central office switch and offers a wide range of switched services including long distance, local exchange, and switched access services.

TCG South Florida is constructing an additional SONET route in downtown Miami, and plans to add to the existing network to provide services to the south Miami and Florida Keys areas. This project will be completed during 1997.

ICI MIAMI

ICI completed construction of its Miami network in October, 1990. The network consists of a 100% SONET backbone network and three SONET loops that extend for more than 85 route miles.

The ICI Miami network serves the following metropolitan Miami areas:

Downtown Miami

Coral Gables

Palmetto

Brickell

Hialeah

Miami International Airport

ICI Miami currently offers the following dedicated access services:

DS-0

DS-1

    Fractional DS1

    Multiplexed DS1

    Hubbed DS1

DS-3

    Multiplexed DS3

    Hubbed DS3

OC-3

ICI Miami has installed a central office switch and ATM switching equipment in its Miami network and offers a wide range of services including switched access, local exchange, and long distance services.

ICI WEST PALM BEACH

ICI's West Palm Beach network connects area businesses using a SONET-based 10 route mile SONET ring..

The network provides special access and private line services including:

DS0

DS1

DS3

During 1997 ICI will expand the network to provide greater service to the West Palm Beach market and will extend the network to provide service to the Fort Lauderdale area by connecting to the Miami network. Additionally once ICI's networks are connected West Palm Beach and Fort Lauderdale customers will be provided switched services via the Miami switching nodes.

ICI ORLANDO

ICI has operated a 100% SONET backbone network in the Orlando metropolitan area since June, 1988. The ICI Orlando network extends approximately 105 route miles.

The ICI Orlando network serves the following areas:

Downtown Orlando

Edgewood

Pine Castle

Orlando Executive Airport

Winter Park

ICI Orlando currently offers the following dedicated services:

DS-0

DS-1

    Fractional DS1

    Multiplexed DS1

    Hubbed DS1

DS-3

    Multiplexed DS3

    Hubbed DS3

OC-3

ICI Orlando plans to construct approximately 15 additional route miles to the existing network linking it to a SONET ring which will service the Kissimmee central business district.

ICI installed a NORTEL DMS-500 switch in August, 1996 and began offering Orlando customers switched services during October, 1996 including local exchange services.

ICI JACKSONVILLE

ICI has been operational in the metropolitan Jacksonville area since August, 1992. ICI operates a 35 route mile network in Jacksonville.

The ICI Jacksonville network serves the following areas:

Downtown Jacksonville

Derwood Park

Craig Municipal Airport

Jacksonville International Airport

ICI Jacksonville currently offers the following dedicated services:

DS-0

DS-1

Fractional DS1

Multiplexed DS1

Hubbed DS1

DS-3

Multiplexed DS3

Hubbed DS3

OC-3

ICI continues to expand its network in Jacksonville and will continue to add new customers throughout 1997. During 1996 it added a NORTEL DMS-500 switch to the Jacksonville network and began offering local exchange as well as other switched services to customers adjacent to its fiber routes.

MCI METRO MIAMI

MCI Metro has constructed a 12 route mile network in the Miami downtown business district.

MCI Metro Miami currently offers the following HICAP services:

DS0

DS1

DS3

OC3

MCI Metro plans to construct an additional SONET loop in downtown Miami and expand service to.Boca Raton. The SONET loop will add approximately 25 route miles of fiber to the MCI Metro Miami network. Construction of the SONET loop is scheduled to be completed by the second quarter, 1997.

MCI Metro is in the process of installing a Siemens EWSD central office switch on the Miami network and anticipates offering a wide range of switched services including local exchange during 1997.

MFS MIAMI

MFS operates a 65 route mile network in metropolitan Miami. The network consists of five SONET loops connected by a 100% SONET backbone network.

The MFS Miami network serves the following metropolitan Miami communities:

Brickwell

Coral Gables

Hialeah

Downtown Miami

Miami International Airport

West End